

Message Text

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SUBJECT: UNCTAD: EC POSITION FOR JAN. 24 PREPCOM ON COMMON FUND

REF: (A) EC BRUSSELS 243, (B) LONDON 498

1. COMMISSION AND UK PERMDEL OFFICIALS TELL US THAT THE JANUARY 17 EC COUNCIL WORKING GROUP REACHED GENERAL AGREEMENT ON AN EC POSITION FOR THE JANUARY 24 UNCTAD PREPCOM ON THE COMMON FUND IN GENEVA. MEMBER STATES EXPERTS CONCURRED IN THE COMMISSION'S PROPOSED APPROACH REPORTED IN REF A. THE EC, CONSEQUENTLY, IS EXPECTED TO TAKE A JOINT POSITION IN PLENARY. THIS POSITION WILL BE POSITIVE BUT NON-COMMITTAL IN TONE, AND WILL SUGGEST AN EXAMINATION OF PRACTICAL ASPECTS OF THE FUND AND OF OTHER POSSIBLE MEANS OF FINANCING LDC COMMODITY NEEDS. MEMBER STATES, HOWEVER, WILL LIKELY STATE THEIR OWN VIEWS IN GROUP-B (G-B) DISCUSSIONS.

2. OFFICIALS HERE BELIEVE THAT THE EC WILL NOW NOT BE
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AN OBSTACLE TO G-B COHESION. INDEED, THEY HOPE TO PLAY A CONSTRUCTIVE ROLE BY ENCOURAGING A DISCUSSION OF THE WHOLE RANGE OF OPTIONS, AND NOT SOLELY THE UNCTAD PROPOSAL. THE CHAIRMAN OF THE G-B PREPCOM, GORDON BARRIS OF THE UK FOREIGN MINISTRY, ATTENDED THE MEETING AND OUTLINED A PAPER WHICH HE PLANS TO SUBMIT TO G-B. THE PAPER, WE ARE TLD, IS CLOSE TO THE EC POSITION

OUTLINED ABOVE.

3. DESPITE THIS TEMPORARY PAPERING OVER OF MEMBER STATE DIFFERENCES, EC OFFICIALS POINT OUT THAT THE NINE'S POSITIONS DIVERGE WIDELY. THE DTUCH, SUPPORTED BY DENMARK, CONTINUE TO FAVOR ESTABLISHING A COMMON FUND CONSISTING OF GRANT AND LOAN MONIES WHICH WOULD BE USED TO FINANCE COMMODITY BUFFER STOCKS. THE DUTCH STATE THAT THIS FUND SHOULD NOT REPLACE BUFFER STOCK FUNDS IN DIVUDIUAL COMMODITY AGREEMENTS. THE FRG, SUPPORTED IN PART BY THE UK, ARE OPPOSED TO A COMMON FUND. AT THE MEETING, THE FRG SUGGESTED THAT THE EC SHOULD INCLUDE IN ILS POSITION THE OPTION OF ESTABLISHING NO FUND, BUT, INSTEAD, OF EXPANDING EXISTING FINANCIAL FACILITIES SUCH AS THE IMF BUFFER STOCK FACILITY, THE FRENCH CONTINUED TO FAVOR A CLEARING HOUSE SYSTEM WHICH WOULD LINK INDIVIDUAL COMMODITY FUNDS IN A MUTUALLY SUPPORTING WAY.

4. THE WORKING GROUP DID NOT DISCUSS IN DETAIL THE THREE NEW UNCTAD PAPERS ON THE FUND. COMMISSION OFFICIALS SAY, HOWEVER, THAT THE EC IS OPPOSED TO THE ONE WHICH SUGGESTS THAT THE FUND SHOULD ALSO PROVIDE SUBSTANTIAL CONCESSIONAL AID FOR OTHER ACTIVITIES, SUCH AS DIVERSIFICATION OF LDC COMMODITY PRODUCTION. THIS PROPOSAL COULD DISTORT THE BASIC PURPOSE OF THE FUND, I.E., FINCNANCING OF BUFFER STOCKS. IN ADDITION, THE EC WANTS AVOID USING THE COMMON FUND AS A CHANNEL FOR DVELOPMENT AID.
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5. COMMISSION AND COUNCIL SECRETARIAT OFFICIAS SAY THE EC FACES A DILEMMA REGARDING THE MARCH 7 - APRIL 1 UNCATAD MEETING TO NEGOTIATE A COMMON FUND. THE NINE, AS A GROUP, WILL NOT BE IN A POSITION TO AGREE TO A FUND AT THAT TIME. FURTHERRORE, IT WILL BE TOO EARLY TO ASSESS THE NEED OF A FUND, BECAUSE THERE WILL BE NO DECISION ON A NUMBER OF PROPOSED COMMODITY AGREE- MENTS. THESE OFFICIALS BELIEVE THAT ONE POSSIBLE EC POSITION WILL BE AGREEMENT IN PRINCIPLE BY COMMODITY CONSUMERS TO SHARE IN THE COSTS OF FUTURE BUFFER STOCKS. HOPEFULLY SUCH AGREEMENT WILL BE SUFFICIENT TO MOLLIFY THE G-77. SUBSEQUENTLY, AT CIEC, THE DEVELOPED COUNTREIES MIGHT PROPOSE AN ALTERNATIVE TO A COMMON FUND. EC OFFICIALS EMPHASIZE AGAIN THE NEED TO CONSULT WITH US OFFICIALS ON THESE MATTERS. THEY LOOK FORWARD TO MEETING WITH THE US DELEGATION AT THE PREPCOM.HINTON

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